

## Message Text

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ACTION EUR-12

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L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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OMB-01 CEA-01 COME-00 OES-06 INT-05 FEA-01 ACDA-07

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 8457

INFO AMEMBASSY HONG KONG

USLO PEKING

AMEMBASSY TOKYO

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: EAID, ETRD, CH, JA, UR

SUBJECT: TASS RIDICULES PRC ECONOMIC PERFORMANCE

REF: A) MOSCOW 13106, B) MOSCOW 13154,  
C) TOKYO 12732 (NOTAL)

1. SUMMARY. AS REPORTED REFTELS, SOVIETS HAVE BEEN DEMONSTRATING INTENSE INTEREST IN IMPROVING ECONOMIC RELATIONSHIP WITH JAPAN, PARTICULARLY WITH REGARD TO DEVELOPMENT OF SIBERIAN SOURCES OF ENERGY. PRESUMABLY WITH AN EYE TO JAPANESE (AND LDC) REACTION, SOVIETS HAVE ALSO BEEN CONDUCTING TASS ENGLISH LANGUAGE PRESS CAMPAIGN TO DENIGRATE CHINESE ECONOMIC PERFORMANCE. TASS CALL PRC UNRELIABLE TRADE PARTNER FOR JAPAN AND ADVANCED CAPITALIST COUNTRIES AND A "SECOND FRONT FOR ANTI-COMMUNIST SUBVERSION" AMONG DEVELOPING COUNTRIES. WITH SEEMING UNCONSCIOUS IRONY SOVIET WRITERS ASCRIBE TO PRC MANY OF USSR'S OWN FOREIGN TRADE

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DIFFICULTIES, INCLUDING TRADE IMBALANCE, SLOW UTILIZATION OF

ACQUIRED FOREIGN TECHNOLOGY AND INADEQUATE QUALITY OF DOMESTIC PRODUCTION. TASS HAS ALSO REPORTED DOWNTURN IN ORDERS FOR INDUSTRIAL EQUIPMENT IN JAPAN; WHILE NO REFERENCE WAS MADE ON THAT OCCASION TO SLACK IN PRC DEMAND, IMPLICATION IS THAT SOVIETS CAN PROVIDE A MARKET FOR JAPANESE PRODUCTS. END SUMMARY.

2. IN A TOKYO-DATELINED SEPTEMBER 1 REPORT TASS CITES AN ARTICLE IN WEEKLY "JAPAN ECONOMIC JOURNAL" AS EXPRESSING CONCERN AT DROP IN SINO-JAPANESE TRADE, INCLUDING PLUNGE IN JAPANESE EXPORTS IN MAY, JUNE AND JULY. NOTING JAPANESE CONCERN THAT "SELF-SUFFICIENCY" ADVOCATES ARE ON RISE IN PEKING, TASS COMMENTS UNCTIOUSLY, "ANYWAY, THE JAPANESE BUSINESS MEN'S HOPES OF EXPANDING JAPANESE-CHINESE TRADE ARE OBVIOUSLY NOT COMING TRUE." ON THE FOLLOWING DAY - WITHOUT REFERENCE TO CHINA - TASS CITED A 12 PERCENT DROP IN JULY IN ORDERS FOR NEW INDUSTRIAL EQUIPMENT IN JAPAN, WITH ENERGY, TRANSPORT, MINING AND TEXTILE EQUIPMENT THE MOST AFFECTED - "A SIGN OF SERIOUS DIFFICULTIES EXPERIENCED BY A NUMBER OF THE MOST IMPORTANT INDUSTRIES OF JAPAN."

3. IN BROAD SWIPE AT CHINA, ARTICLE BY TASS ECONOMIC COMMENTATOR IGOR VASILYEV ASSERTS THAT CHINA'S FOREIGN TRADE IS IN SERIOUS DIFFICULTY, SHOWING "CHRONIC DEFICIT." ACCORDING TO VASILYEV, PRC STAKED ITS OWN FUTURE ON DEVELOPMENT OF ECONOMIC RELATIONS WITH ADVANCED CAPITALIST COUNTRIES OF WESTERN EUROPE AND THE US (HIS OMISSION OF JAPAN HERE IS CONSPICUOUS) BUT PEKING OVERESTIMATED STRENGTH OF WESTERN ECONOMIES, WAS INJURED BY INFLATION IN WEST AND FAILED TO GET COMMERCIAL PREFERENCES FROM THE WEST. PRC NEGATIVE TRADE BALANCE WITH US AS \$1,600 MILLION FOR 1972-75 PERIOD, WRITER ASSERTS (EMBASSY NOTES SOVIET TRADE DEFICIT WITH US IN SAME FOUR YEAR PERIOD WAS ABOUT 3,260 MILLION, OR TWICE AS MUCH). VASILYEV ALSO CITES WITHOUT COMMENT A 6.5 PERCENT DECLINE IN SINO-JAPANESE TRADE IN FIRST HALF OF 1976. VASILYEV CONTINUES THAT CHINESE EXPORT POSSIBILITIES ARE SLIM DUE TO LOW QUALITY OF DOMESTIC OUTPUT. BEST CHINESE HOPES ARE FOR EXPORTS OF LIGHT INDUSTRY AND RAW MATERIALS, ACCOMPLISHED BY BELT TIGHTENING AT HOME.

4. ALTHOUGH HE CITES A GROWING PRC TRADE DEFICIT WITH EC LIMITED OFFICIAL USE

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NINE, VASILYEV STATES THAT PRC TRADE WITH WESTERN EUROPE DID NOT DECREASE - FOR "POLITICAL REASONS." THE MAOISTS ARE STRIVING, HE WRITES, TO COME CLOSER TO NATO AND THE COMMON MARKET, APPEALING TO REACTIONARY FORCES OPPOSED TO DETENTE, IN PART TO OBTAIN WESTERN MILITARY EQUIPMENT. CITING PURCHASE OF ROLLS ROYCE SPEY JET ENGINES AND FRENCH "UPPER FRECON HELICOPTERS", HE ALSO STATES THAT TEN BOEING 707 PLANES SUPPLIED BY US TO PRC "HAVE THE INERTIAL SYSTEM SIMILAR TO THE GUIDANCE

SYSTEMS ON US-MADE MISSILES." ARTICLE ALSO MENTIONS "WESTERN PRESS REPORTS" THAT CHINA MIGHT OBTAIN F-16 FIGHTER AIRCRAFT AND C-141 TRANSPORT PLANES.

5. VASILYEV ALSO CRITICIZES CHINESE INABILITY RAPIDLY TO UTILIZE WESTERN TECHNOLOGY, PLANT AND EQUIPMENT AFTER PURCHASE. A SHORTAGE OF TECHNICIANS, TRACEABLE TO THE "NOTORIOUS CULTURAL REVOLUTION", AND THE GENERALLY "LOW LEVEL" OF CHINESE TECHNICAL BASIS LEAD TO IDLENESS OF EQUIPMENT "FROM COMMON MARKET COUNTRIES."

6. ON AUGUST 26 TASS ARTICLE DATED IN WARSAW REVIEWS A POLISH BOOK "CHINA AND THE DEVELOPING COUNTRIES" AND CITES IT AS SHOWING THAT "MAOISM HAS BECOME A SECOND FRONT OF ANTI-COMMUNIST SUBVERSION" AMONG THE LDC'S. ACCORDING TO THE REVIEW, THE BOOK SHOWS THAT THE MOST REACTIONARY ASIAN REGIME CAN HOPE FOR EVERY ASSISTANCE AND SUPPORT FROM PEKING IF IT HAS ADOPTED AN ANTI-SOVIET STANCE. THE MAOISTS ARE SAID TO TRY TO TEAR ARTIFICIALLY THE LDC'S FROM THE "SOCIALIST COMMUNITY", A POLICY COUNTER TO THEIR "VITAL INTERESTS." BUT IN PURSUING A "BIG POLICY FOR LITTLE MONEY" PEKING FAILS TO MEET DELIVERY TERMS AND PROVIDES GOODS OF INADEQUATE QUALITY. THE TECHNICAL LEVEL OF CHINESE ASSISTANCE IN BUILDING INDUSTRIAL PROJECTS IN LDC'S IS ALSO INADEQUATE DUE TO THE "LOW SKILL OF THE SPECIALISTS AND OUTDATED EQUIPMENT." THE ARTICLE CONTENDS THAT PRC GOAL IS TO EXPAND POLITICAL INTERESTS AND GAIN NEW SOURCES OF FOREIGN EXCHANGE. PEKING'S DISREGARD FOR THIRD WORLD IS EVIDENCED BY ITS TRADE WITH SOUTH AFRICA AND RHODESIA, IT STATES.

7. COMMENT: AS YUGOSLAV MINISTER RECENTLY COMMENTED TO E/C COUNSELOR, SOVIETS SEEM TO BE TRYING TO EXPLOIT WHAT THEY PERCEIVE AS SOME COOLING IN SINO-JAPANESE RELATIONSHIP TO LIMITED OFFICIAL USE

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BOLSTER THEIR OWN RELATIONSHIP WITH JAPAN. JAPANESE CAPITAL AND TECHNICAL KNOW-HOW ARE ESSENTIAL IF USSR IS TO DEVELOP ITS SIBERIAN ENERGY SOURCES MORE EFFECTIVELY. THE OPPORTUNITY TO PICTURE PRC AS ECONOMIC BACKWATER, WITH AMBITIONS WELL IN EXCESS OF ITS ABILITY TO PAY, WOULD PRESUMABLY HAVE BEEN A WELCOME THEME TO SOVIET PROPAGANDISTS EVEN WITHOUT A JAPANESE CONNECTION.  
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